

Senate Study Bill 1060 - Introduced

SENATE FILE _____
BY (PROPOSED COMMITTEE ON
STATE GOVERNMENT BILL BY
CHAIRPERSON DANIELSON)

A BILL FOR

1 An Act relating to the regulation of certified public
2 accountants and certified public accounting firms.
3 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 80A.2, Code 2015, is amended by adding
2 the following new subsection:

3 NEW SUBSECTION. 10. A certified public accountant
4 authorized to practice pursuant to chapter 542, while
5 performing duties as a certified public accountant.

6 Sec. 2. Section 542.3, subsection 26, Code 2015, is amended
7 to read as follows:

8 26. "*Report*", when used with reference to ~~financial~~
9 ~~statements~~ any attest or compilation services, means a report,
10 opinion, or other form of a writing that states or implies
11 assurance as to the reliability of any the attested information
12 or compiled financial statements and that includes or is
13 accompanied by a statement or implication that the person or
14 firm issuing the report has special knowledge or competence
15 in accounting or auditing. Such statement or implication
16 of special knowledge or competence may arise from use by
17 the issuer of the report of names or titles indicating that
18 the person or firm is an accountant or auditor, or from the
19 language of the report itself. "*Report*" includes any form
20 of language which disclaims an opinion when such form of
21 language is conventionally understood to imply a positive
22 assurance as to the reliability of the attested information or
23 compiled financial statements referred to or special knowledge
24 or competence on the part of the person or firm issuing the
25 language, and any other form of language that is conventionally
26 understood to imply such assurance or such special knowledge
27 or competence.

28 Sec. 3. Section 542.7, subsection 3, Code 2015, is amended
29 by adding the following new paragraph:

30 NEW PARAGRAPH. *0c.* (1) Notwithstanding chapter 496C or
31 any other provision of law to the contrary, a certified public
32 accounting firm organized as a professional corporation under
33 chapter 496C may have nonlicensee owners provided that the firm
34 complies with the requirements of this section.

35 (2) Notwithstanding chapter 489, article 11, or any other

1 provision of law to the contrary, a certified public accounting
2 firm organized as a professional limited liability company
3 under chapter 489, article 11, may have nonlicensee members
4 provided that the professional limited liability company
5 complies with the requirements of this section.

6 Sec. 4. Section 542.7, subsection 3, paragraphs c and d,
7 Code 2015, are amended to read as follows:

8 c. A licensee or person with a practice privilege under
9 section 542.20 who is responsible for supervising attest
10 or compilation services and signs or authorizes someone to
11 sign the accountant's report ~~on the financial statements~~ on
12 behalf of the firm shall meet the experience or competency
13 requirements set out in nationally recognized professional
14 standards for such services.

15 d. A licensee or person with a practice privilege under
16 section 542.20 who signs or authorizes someone to sign the
17 accountant's report ~~on the financial statements~~ on behalf of
18 the firm shall meet the experience or competency requirements
19 established in paragraph "c".

20 Sec. 5. Section 542.7, subsection 6, paragraph a, Code 2015,
21 is amended by striking the paragraph.

22 Sec. 6. Section 542.7, subsection 8, paragraph a, Code 2015,
23 is amended to read as follows:

24 a. The board, by rule, shall require as a condition
25 of renewal of a permit to practice as a certified public
26 accounting firm, that an applicant undergo, no more frequently
27 than once every three years, a peer review conducted in such
28 manner as the board specifies. The review shall include a
29 verification that any individual in the firm who is responsible
30 for supervising attest and compilation services and who signs
31 or authorizes someone to sign the accountant's report ~~on a~~
32 ~~financial statement~~ on behalf of the firm meets the competency
33 requirements set forth in the professional standards for such
34 services.

35 Sec. 7. Section 542.7, subsection 9, paragraph a, Code 2015,

1 is amended to read as follows:

2 a. The applicant does not engage in, and does not intend to
3 engage in during the following year, financial reporting areas
4 of practice, including but not limited to ~~financial~~ audits,
5 compilations, and reviews. An applicant granted a waiver
6 pursuant to this paragraph shall immediately notify the board
7 if the applicant engages in such practice, and shall be subject
8 to peer review.

9 Sec. 8. Section 542.13, subsections 8 and 11, Code 2015, are
10 amended to read as follows:

11 8. A nonlicensee shall not use language in any statement
12 relating to the ~~financial~~ affairs of a person or entity which
13 is conventionally used by licensees in reports on financial
14 statements or any attest service. The board shall develop and
15 issue language which nonlicensees may use in connection with
16 such financial information.

17 11. This section does not apply to a person or firm holding
18 a certification, designation, degree, or license granted in a
19 foreign country entitling the holder to engage in the practice
20 of public accountancy or its equivalent in such country, whose
21 activities in this state are limited to providing professional
22 services to a person or firm who is a resident of, government
23 of, or business entity of the country in which the person holds
24 such entitlement, who does not perform attest or compilation
25 services, and who does not issue reports with respect to the
26 ~~financial statements~~ information of any other person, firm, or
27 governmental unit in this state, and who does not use in this
28 state any title or designation other than the one under which
29 the person practices in such country, followed by a translation
30 of such title or designation into the English language, if it
31 is in a different language, and by the name of such country.

32 Sec. 9. Section 542.17, unnumbered paragraph 1, Code 2015,
33 is amended to read as follows:

34 A licensee shall not voluntarily disclose information
35 communicated to the licensee by a client relating to and

1 in connection with services rendered to the client by the
2 licensee, except with the permission of the client, or an
3 heir, successor, or personal representative of the client.
4 Such information is deemed to be confidential. However, this
5 section shall not be construed as prohibiting the disclosure of
6 information required to be disclosed by the standards of the
7 public accounting profession in reporting on the examination of
8 financial statements or in the performance of an attest service
9 or as prohibiting disclosures in a court proceeding, in an
10 investigation or proceeding under this chapter or chapter 272C,
11 in an ethical investigation conducted by a private professional
12 organization, in the course of a peer review, to another person
13 active in the licensee's firm performing services for that
14 client on a need-to-know basis, to persons associated with the
15 investigative entity who need this information for the sole
16 purpose of assuring quality control, or as otherwise required
17 by law.

18 EXPLANATION

19 The inclusion of this explanation does not constitute agreement with
20 the explanation's substance by the members of the general assembly.

21 This bill relates to the regulation of accountants in
22 the state. The bill exempts a certified public accountant
23 authorized to practice in the state from the requirements
24 listed under the private investigative agencies and security
25 agents Code chapter.

26 The bill amends the definition of report to include
27 references to attested information. In the Code provision
28 addressing permits for accounting firms that perform attest
29 services, the bill makes conforming changes. The bill replaces
30 a reference to "financial statement" with "information" in a
31 Code provision providing that the unlawful acts section of
32 Code chapter 542 does not apply to certain holders of licenses
33 granted by foreign countries.

34 The bill eliminates a Code provision requiring a holder
35 or applicant of a certified public accounting firm permit,

1 which is required for accounting firms that perform attest
2 services in the state, to notify the Iowa accountancy examining
3 board within 30 days of a change in the identity of a partner,
4 officer, shareholder, member, or manager who performs
5 professional services in Iowa. Current Code allows certified
6 public accounting firms to include nonlicensee owners with some
7 requirements. The bill allows certified public accounting
8 firms organized as professional corporations or professional
9 limited liability companies to include a nonlicensee owner
10 as long as the firm meets the current requirements and rules
11 established by the Iowa accountancy examining board.